

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7385

BILL NUMBER: SB 418

DATE PREPARED: Feb 16, 1999

BILL AMENDED: Feb 15, 1999

SUBJECT: Tax abatement procedures.

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FUNDS AFFECTED: **GENERAL**
 X DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill permits a city, town, or county to grant tax abatement if the application for the abatement was not filed in a timely manner.

Effective Date: January 1, 1997 (retroactive); January 1, 1999 (retroactive).

Explanation of State Expenditures:

Explanation of State Revenues: The State levies a one cent tax rate for State fair and State forestry. Any reduction in the assessed value base will reduce the property tax revenue for these two funds.

Explanation of Local Expenditures:

Explanation of Local Revenues: (Revised) Under current law, property tax abatements on real and personal property may be granted to taxpayers by local government. If an abatement is granted, certified deduction applications for real property must be filed by May 10 to receive the deduction for the current assessment year. Certified deduction applications for personal property must be filed by May 15 (or June 14 if the taxpayer received an extension to file their personal property return).

This bill would allow the local designating body to approve the deduction even if the certified deduction application is not filed timely. The designating body would first have to determine whether the taxpayer has substantially complied with the statement of benefits. The designating body would have sole discretion to refuse to grant the waiver for any reason it considers appropriate. If the designating body resolves to allow the deduction, then the county auditor would verify the correctness of the real property deduction application and the State Tax Board would verify the correctness of the personal property deduction application. The county auditor would then make the deductions.

Property tax abatements cause a delay of the shift of the property tax burden from all taxpayers to the owners of the new property until the property is placed on the tax rolls. Currently, if a taxpayer fails to receive the deduction, then the shift of taxes to that taxpayer occurs immediately. By allowing the late filed deduction under this proposal, the shift is again delayed.

If the deduction under this bill is granted by the local designating body after assessed values (AV) are certified and tax rates are set, local civil units and school corporations could experience a revenue shortfall. This is because the tax rate would be computed using a tax base which includes the AV in question. If, when tax bills are prepared, property tax is not assessed against that AV, then the expected revenue may not be collected.

If the deduction under this bill is granted by the local designating body after taxes are paid, local civil units and school corporations could experience a revenue shortfall. This provision first affects property taxes payable in 1997. If any deductions are retroactively allowed for 1997 or 1998 and the taxpayer has paid the tax, then the taxpayer would be due a refund. Such a refund would reduce revenues to the taxing units serving the taxpayer in the year that the refund is made.

This bill also permits a designating body to charge a filing fee of up to \$500 to consider a waiver request. If the designating body charges such a fee, the fee would be deposited into the General Fund of the city, county, or town served by the designating body.

State Agencies Affected: State Board of Tax Commissioners.

Local Agencies Affected: County Auditors; Local designating bodies; Local civil taxing units and school corporations.

Information Sources: